

**PROCEEDING BEFORE THE HONORABLE ALLAN L. MCVEY
INSURANCE COMMISSIONER OF THE
STATE OF WEST VIRGINIA**

**IN RE:
FARMERS' MUTUAL INSURANCE COMPANY
ADMINISTRATIVE PROCEEDING
17-MAP-02003**

**AGREED ORDER ADOPTING REPORT OF
MARKET CONDUCT EXAMINATION**

NOW COMES, The Honorable Allan L. McVey, Insurance Commissioner of the State of West Virginia, and issues this Order which adopts the Report of Market Conduct Examination for the examination of Farmers' Mutual Insurance Company for the examination period ending December 31, 2016 based upon the following findings, to wit:

PARTIES

1. The Honorable Allan L. McVey, is the Insurance Commissioner of the State of West Virginia (hereinafter the "Insurance Commissioner") and is charged with the duty of administering and enforcing, among other duties, the provisions of Chapter 33 of the West Virginia Code of 1931, as amended.

2. Farmers' Mutual Insurance Company (hereinafter, "Farmers" or "Insurer") operates under the provisions of Chapter 33, of the West Virginia Code and is domiciled in West Virginia.

3. Insurer is licensed in the State of West Virginia to transact business as a Farmer's Mutual Fire Insurance Company under the provisions of Article 22 of the West Virginia Code.

4. This Market Conduct Examination was instituted pursuant to W.Va. Code

§33-2-9 which requires the Insurance Commissioner to examine each West Virginia domestic insurance company every five (5) years. The conclusions and findings of this examination are public record.

FINDINGS OF FACT

1. The Market Conduct Examination was a comprehensive examination focusing on the methods used by the company to manage its operations. The examination was conducted in accordance with W. Va. Code §33-2-9(c) by examiners duly appointed by the Offices of the West Virginia Insurance Commissioner.

2. The examination began on April 4, 2017 and concluded on June 7, 2017. A total of thirty-eight (38) standards were tested during this examination. Of these thirty-eight (38), the company was found to be compliant with thirty-six (36); predominantly compliant with one (1) and one (1) standard was not applicable.

3. There were no violations found in the exam. There was one area of the Report that contained a recommendation, Standard A7, pertaining to documenting the producer of record. Prior to the completion of the exam, the Insurer took corrective action to ensure producers are properly documented.

4. On or about June 22, 2017, the examiner filed with the Insurance Commissioner, pursuant to W. Va. Code §33-2-9, a Report of Market Conduct Examination.

5. A true copy of the Report of Market Conduct Examination was sent to Farmers' for it to review.

6. Farmers was notified that, pursuant to W. Va. Code §33-2-9(j) (2), it had thirty (30) days after receipt of the Report of Market Conduct Examination to file a submission

or objection with the Insurance Commissioner.

7. Insurer has filed no objections and has elected to enter into this Agreed Order.

8. Insurer waives notice of administrative hearing, any and all rights to an administrative hearing, and to judicial review of this matter.

9. Any Finding of Fact that is more properly a Conclusion of Law is hereby adopted as such and incorporated in the next section.

CONCLUSIONS OF LAW

1. The Insurance Commissioner has jurisdiction over the subject matter and the parties to this proceeding.

2. This proceeding is pursuant to and in accordance with W. Va. Code § 33-2-9.

3. The Insurance Commissioner is charged with the responsibility of verifying continued compliance with West Virginia Code and the West Virginia Code of State Rules by Farmers as well as all other provisions of regulation that the company is subjected to by virtue of its Certificate of Authority to operate in the State of West Virginia.

4. Farmers did not fail any standards during the examination which is evident from the Market Conduct Examination Report.

ORDER

Pursuant to W. Va. Code §33-2-9(j)(3)(A), following the review of the Report of Market Conduct Examination, the examination work papers, and the response of Farmers thereto, if any, the Insurance Commissioner and Farmers have agreed to enter into this Agreed Order adopting the Report of Market Conduct Examination. It is accordingly **ORDERED** as follows:

(A) The Report of Market Conduct Examination of Farmers' Mutual Insurance

Company for the period ending December 31, 2016, is hereby **ADOPTED** and **APPROVED** by the Insurance Commissioner;

(B) It is further **ORDERED** that within thirty (30) days of the next regularly scheduled meeting of its Board of Directors, Farmers shall file with the West Virginia Insurance Commissioner, in accordance with W. Va. Code §33-2-9(j)(4), affidavits executed by each of its directors stating under oath that they have received a copy of the adopted Report of Market Conduct Examination and a copy of this Order.

(C) It is further **ORDERED** that Farmers shall continue to ensure compliance with the West Virginia Code and the Code of State Rules. Farmers shall specifically cure the deficiency identified in the Report of Market Conduct Examination; and

(D) It is finally **ORDERED** that all such statutory notices, administrative hearings and appellate rights are herein waived concerning this Report of Market Conduct Examination and Agreed Order. All such rights are preserved by the Parties regarding implementation or further action taken on such Order by the Commissioner against Farmers.

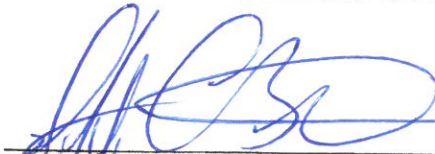
Entered this 11th day of July, 2017.



The Honorable Allan L. McVey
Insurance Commissioner

REVIEWED AND AGREED TO BY:

On behalf of the INSURANCE COMMISSIONER:



Jeffrey C. Black, Attorney Supervisor
Regulatory Compliance and Enforcement


Dated: 7/10/17

On Behalf of Farmers' Mutual Insurance Company

By: DAVID L. CERSINI II

Print Name

Its: CEO / PRES

Signature: 

Date: 7/10/17

Report of Market Conduct Examination

As of December 31, 2016



Farmers Mutual Insurance Company

40 Moran Circle
Fairmont, WV 26554-8982

NAIC COMPANY CODE: 40070
Examination Number: 17-MCSTAT-02002

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June 22, 2017

The Honorable Allan L. McVey, CPCU, ARM, AAI, AAM, AIS
West Virginia Insurance Commissioner
900 Pennsylvania Avenue
Charleston, West Virginia 25305

Dear Commissioner McVey:

Pursuant to your instructions and in accordance with W.Va. Code §33-2-9, an examination has been made as of December 31, 2016 of the business affairs of

Farmers Mutual Insurance Company
40 Moran Circle
Fairmont, WV 26554-8982

Hereinafter referred to as the "Company." The following report of the findings of this examination is herewith respectfully submitted.

FOREWORD

This is a report by test of company compliance with selected Standards contained in the National Association of Insurance Commissioners' (NAIC) 2016 *Market Regulation Handbook* ("Handbook") and Standards approved by the West Virginia Offices of the Insurance Commissioner ("WVOIC") which are based on applicable West Virginia statutes and administrative rules, as referenced herein. Testing is based on guidelines contained in the Handbook. All tests applied are included in this report.

"Company" as used herein refers to Farmer's Mutual Insurance Company. "WVOIC" as used herein refers to the West Virginia Offices of the Insurance Commissioner. "W.Va. Code R." as used herein refers to the West Virginia Code of State Rules. "W.Va. Code" as used herein refers to the West Virginia Code Annotated.

EXECUTIVE SUMMARY

The examination work began April 04, 2017 and concluded on June 7, 2017. The entirety of the examination was done remotely, with the Company having provided examiner access to both their ImageRight system which houses file notes and documentation, as well as access to their InskoDotNet system which retains the balance of file information. A total of thirty-eight (38) standards were reviewed during this examination. Of these thirty-eight (38) standards, the Company was compliant in thirty-six (36), predominantly compliant on one (1) standard A7, and one standard was N/A (not applicable), F9.

Although there were no standard failures, the following is an area of concern that included a recommendation by the examiners:

- Standard A7: Records are adequate, accessible, consistent and orderly and comply with state record retention. Under two (2) policies for personal lines new business, the Company's InskoDotNet system did not document the producer of record. As such, the producer completing the transaction could not be verified by the examiner. The Company has procedures in place whereby the agency is required to keep hard copies of the application signature page and were therefore able to confirm the producer involved in the transaction under both policies.

Note: In response to the examiner's RFI, the Company has taken corrective action prior to completion of this examination. To ensure that the producer is correctly documented, the Company has changed processes to make the producer field a requirement in the quoting system prior to submission of new business.

SCOPE OF EXAMINATION

Market conduct examiners with the WVOIC reviewed certain business practices of Farmer's Mutual Insurance Company as W. Va. Code §33-2-9 empowers the Commissioner to examine

any entity engaged in the business of insurance. The findings in this report, including all work products developed in producing it, are the sole property of the WVOIC.

The basic business areas that were reviewed and tested under this examination were:

- Company Operations and Management
- Complaint Handling
- Marketing and Sales
- Producer Licensing
- Policyholder Service
- Underwriting and Rating
- Claims

Each business area has standards that the examination measured. Some standards have specific statutory guidelines, others have specific company guidelines, and yet others have contractual guidelines.

The focus of the examination was on the methods used by the Company to manage its operations for each of the business areas subject to this examination. This included an analysis of how the Company communicates its instructions and intentions throughout its operations, how it measures and monitors the results of those communications, and how it reacts to and modifies its communications based on the result findings of the measurement and monitoring activities. The examination also determined whether this process is dynamic and results in enhanced compliance activities. Because of the predictive value of this form of analysis, focus was then made on those areas in which the process used by management does not appear to be achieving appropriate levels of statutory and regulatory compliance. Most areas were tested to verify the Company is in compliance with West Virginia statutes and rules. The examiners may not have discovered every unacceptable or non-compliant activity in which the Company is engaged. The failure to identify, comment on, or criticize specific Company practices does not constitute an acceptance of the practices by the West Virginia Offices of the Insurance Commissioner or its' designee.

HISTORY AND PROFILE

Farmers Mutual Insurance Company was incorporated under the laws of West Virginia on July 25, 1905, as the Farmers Mutual Fire Association of West Virginia. It commenced operations on January 26, 1906; on January 1, 1991 the company adopted its current title of Farmers Mutual Insurance Company. The Company operates under the provisions of Chapter 33, Article 22 of the West Virginia Code as a farmers' mutual fire insurance company and is currently located in Marion County at 40 Moran Circle in White Hall, West Virginia.

The Company writes personal lines products under their homeowners, dwelling fire and mobile-homeowners programs, which also includes programs for mobile homes manufactured prior to 1980, renter's coverage for contents and dwelling fire and seasonal property programs. The Company also writes commercial lines of insurance including churches, small business owners, small contractors and other commercial risks. They also provide a farmowners program for small farmowners.

The Company had a 2016 market share of less than half percent for the homeowners line of business in West Virginia.

METHODOLOGY

The examination was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners ("NAIC") and West Virginia's applicable statutes and regulations. The examiners conducted file reviews and interviews of company management. This examination report is a report by test, rather than a report by exception, and all standards tested are described and the results indicated.

Tests designed to measure the level of compliance with West Virginia's statutes, rules and regulations were applied to the files. All tests are described and the results displayed in this report.

In the results tables a "pass" response indicated compliance and a "fail" response indicates a failure to comply. The results of each test applied to a sample are reported separately. The examiners used the NAIC standards of 7% error ratio on claims tests (93% compliance rate) and 10% error ratio on all other tests (90% compliance rate) to determine whether or not an apparent pattern or practice of being compliant or non-compliant existed for any given test. Except as otherwise noted, all tests were conducted via random sample taken from a given population.

The personal lines claims populations were separated by category of first and third party claims using liability and medical payments as indicating factors. Total losses were derived by sorting the population of paid claims in descending order by payment amount, then claims were selected if the total amount paid for Coverage A was equal to or greater than the Coverage A policy limits. Closed without payment or denied claims were provided by the Company as separated by first and third party. Some samples were weighted towards the last two (2) years of the examination period and those are noted in the tables for each standard.

The commercial lines claims were provided by the Company as separated by first and third party claims. All years of the examination period were used in sampling.

Samples for declinations and commercial new business were determined by using the total populations and utilizing the Acceptance Samples Table (AST) found in the NAIC *Market Regulation Handbook*. However, if after the review of twenty-five (25) or fifty (50) in certain cases, there were no violations discovered, the remaining files were not reviewed. In following cases, due to the minimal population, the entire population was reviewed; Personal Lines Paid Claims 3rd Party; Personal Lines Paid Claims Total Losses (after 01/01/2015); Personal Lines Closed Without Payment 3rd Party; Commercial Lines Paid Claims 3rd Party; Commercial Lines Closed Without Payment 3rd Party.

A. COMPANY OPERATIONS/MANAGEMENT

The evaluation of standards in this business area is based on a review of Company responses to information requests, questions, interviews, and presentations made to the examiner. This portion of the examination is designed to provide a view of what the Company is and how it operates and is not based on sampling techniques, but rather the Company's structure. This review is not intended to duplicate a financial examination review but is important in establishing an understanding of the examinee. Many troubled companies have become so because management has not been structured to adequately recognize and address the problems that can arise. Well-run companies generally have processes that are similar in structure. While these processes vary in detail and effectiveness from company-to-company, the absence of them or the ineffective application of them is often reflected in failure of the various standards tested throughout the examination. The processes usually include:

- A planning function where direction, policy, objectives, and goals are formulated;
- An execution or implementation of the planning function elements;
- A measurement function that considers the results of the planning and execution; and
- A reaction function that utilizes the results of measurement to take corrective action or to modify the process to develop more efficient and effective management of its operations.

Standard A1: The Company has an up-to-date, valid internal or external audit program. (2016 NAIC Market Regulation Handbook Chapter 16, § A Standard 1)

Test Methodology:

- Does the Company have an internal and external audit program to detect structural problems before they occur? [*W. Va. Code §§33-3-14 and 33-33-1*]

Examiner Observations: The officers directly participate in activities on a daily basis due to the smaller size of the Company. The officers regularly review new business as well as open claims and amounts of reserves, monitoring and reviewing all claims adjusting. The company also compiles a monthly financial report, which contains but is not limited to a summary of key financial information, analysis of written premium, analysis of incurred losses, analysis of underwriting profit, income statements, underwriting expense, balance sheets, policyholder's surplus, statement of cash flow, cash and invested assets analysis, investment compliance, report on investments, policies in force analysis, business retention analysis and new business analysis.

Examiner Recommendations: None

Results: Compliant

Standard A3: The Company has anti-fraud initiatives in place that are reasonable calculated to detect, prosecute and prevent fraudulent insurance acts. (2016 NAIC Market Regulation Handbook Chapter 16, § A Standard 3)

Test Methodology:

- Does the Company have any procedural manuals or guides and antifraud plans?
- Does the Company report fraudulent activities of which it becomes aware? [W. Va. Code §33-41-5]

Examiner Observations: The Company has a fraud prevention policy, which includes procedures for both internal and external fraud. The Company conducts regular audits and also provides ongoing training for staff and producers. The Company regularly reviews processes and initiates checks and balances for all processes and incorporates appropriate security measures. All claims are handled by the Company claim adjusters and the officers of the Company and any potential acts of fraud are reported to the President of the Company and the West Virginia Offices of the Insurance Commissioner. The Company reported no potential acts of fraud and the examiners found no potential instances of fraud in their review of claims and underwriting files.

Examiner Recommendations: None

Results: Compliant

Standard A4: The Company has a valid disaster recovery plan. (2016 NAIC Market Regulation Handbook Chapter 16, § A Standard 4)

Test Methodology:

- Does the Company have a disaster recovery plan that will detail procedures for continuing operations in the event of any type of disaster?

Examiner Observations: The Company's server data files and server applications are backed up nightly and are maintained off site. In the event of a disaster or other hardship, Company records can be accessed remotely.

Examiner Recommendations: None

Results: Compliant

Standard A7: Records are adequate, accessible, consistent and orderly and comply with state record retention. (2016 NAIC Market Regulation Handbook Chapter 16, § A Standard 7)

Test Methodology:

- Are the records adequate and accessible as required by W. Va. Code R. §114-15-4? [W. Va. Code §33-2-9]

Examiner Observations: Files are retained in accordance with state record retention requirements. Policy files predominantly contained all pertinent information from which to

make an underwriting decision; however, under two (2) policies for personal lines new business, the Company's IncoDotNet system did not document the producer of record. As such, the producer completing the transaction could not be easily verified by the examiner. The Company has procedures in place whereby the agency is required to keep hard copies of the application signature page and were therefore able to confirm the producer involved in the transaction under both policies.

Note: In response to the examiner's RFI, the Company has taken corrective action prior to completion of this examination. To ensure that the producer is correctly documented, the Company has changed processes to make the producer field a requirement in the quoting system prior to submission of new business.

Examiner Recommendations: The Company should take steps to ensure that the writing producer is correctly and easily identified for each policy record.

Results: Predominantly Compliant

Standard A8: The Company is licensed for the lines of business that are being written. (2016 NAIC Market Regulation Handbook Chapter 16, § A Standard 8)

Test Methodology:

- Are the Company's operations in conformance with the Company's certificate of authority?

Examiner Observations: The Company's certificate of authority was reviewed and writings were compared with authorized lines and the NAIC annual statement. The Company's current forms which are in use were reviewed. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Standard A9: The Company cooperates on a timely basis with examiners performing the examinations. (2016 NAIC Market Regulation Handbook Chapter 16, § A Standard 9)

Test Methodology:

- Did the Company provide records in a timely basis? [W. Va. Code §33-2-9 and W. Va. Code R. §114-15-4.9(a)]

Examiner Observations: The Company was cooperative and the examination proceeded in a cordial atmosphere. Data provided was responsive and timely.

Examiner Recommendations: None

Results: Compliant

Standard A12: The Company has policies and procedures to protect the privacy of non-public personal information relating to its customers, former customers, and consumers that are not customers. (2016 NAIC Market Regulation Handbook Chapter 16, § A Standard 12)

Test Methodology:

- Does the Company provides adequate protection of information it holds concerning its policyholders and minimize any improper intrusion into the privacy of applicants and policyholders? [W. Va. Code R. § 114-62]

Examiner Observations: The Company has procedures for the protection of and privacy of applicants and policyholders.

Examiner Recommendations: None

Results: Compliant

Standard A13: The Company provides privacy notices to its customers and, if applicable, to its consumers who are not customers regarding treatment of nonpublic personal financial information. (2016 NAIC Market Regulation Handbook Chapter 16, § A Standard 13)

Test Methodology:

- Does the Company provide privacy notices and are they clear, conspicuous and accurately reflect the privacy policies and practices? [W. Va. Code R. §114-57]

Examiner Observations: All policyholders are provided with a privacy notice upon each renewal. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

B. COMPLAINT HANDLING

Evaluations of the standards in this business area are based on company responses to various information requests and the review of complaint files at the Company. In this business area, "complaints" include "grievances." W.Va. Code §33-11-4(10) requires the Company to "...maintain a complete record of all the complaints which it has received since the date of its last examination." The statute also requires that, "This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition

of these complaints and the time it took to process each complaint,” the definition of a complaint is, “...any written communication primarily expressing a grievance.”

Standard B1: All complaints are recorded in the required format on the Company complaint register. (2016 NAIC Market Regulation Handbook Chapter 16, § B Standard 1)

Test Methodology:

- Is the Company recording all complaints, directly from the consumer as well as the Commissioner’s office, in a regulated complaint register? [*W. Va. Code §33-11-4(10) and W. Va. Code R. 114-15-4.6, 7 and 8*]
- Does the Company retain the complaint records for the lesser of: the current calendar year plus five (5) calendar years; or the closing date of the period of review for the most recent examination. [*W. Va. Code R. 114-15-4.2b*]

Examiner Observations: The Company maintains an electronic log of complaints in accordance with the requirements of the Insurance Commissioner. The Company’s complaint log included both direct complaints and complaints received by the WVOIC. The company received ten (10) complaints from the WVOIC during the examination period. However, one (1) was determined to be N/A (not applicable) as the complaint was received on behalf of the policyowner and the WVOIC advised the policyowner needed to sign the complaint form. This complaint was resubmitted by the policyholder and is included in the remaining nine (9) claims. The examiners did not observe any communications from policyholders or claimants that could be construed as complaints during the policy or claims file reviews.

Examiner Recommendations: None

Results: Compliant

Table B1 Results: Complaints Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Complaints	10	9	1	9	0	90	100

Standard B2: The Company has adequate complaint handling procedures in place and communicates such procedures to policyholders. (2016 NAIC Market Regulation Handbook Chapter 16, § B Standard 2)

Test Methodology:

- Does the Company have complaint procedures in place, and are they sufficient to satisfactorily handle complaints?
- Does the Company have procedures in place to track responses to complaints?

Examiner Observations: The Company has procedures in place. The process is to begin processing complaints within twenty-four (24) hours and to provide a response within fifteen (15) working days as required.

Examiner Recommendations: None

Results: Compliant

Standard B4: The time frame within which the Company responds to complaints is in accordance with applicable statutes, rules, and regulations. (2016 NAIC Market Regulation Handbook Chapter 16, § B Standard 4)

Test Methodology:

- Is the Company responding to complaints within fifteen (15) working days as required by W. Va. Code R. §114-14-5.2?

Examiner Observations: The Company had ten (10) complaints during the examination period. However, one (1) was determined to be N/A (not applicable) as the complaint was received on behalf of the policyowner and the WVOIC advised the policyowner needed to sign the complaint form. This complaint was resubmitted by the policyholder and is included in the remaining nine (9) claims. Each was properly documented and the Company responded to the WVOIC in a timely manner. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table B4 Results: Complaints Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Complaints	10	9	1	9	0	90	100

C. MARKETING & SALES

The evaluation of standards in this business area is based on a review of company responses to information requests, questions, interviews, and presentations made to the examiner. This portion of the examination is designed to evaluate the representations made by the Company about its products. It is not typically based on sampling techniques, but can be. The areas to be considered in this kind of review include all media, written and verbal advertising and sales material.

Standard C1: All advertising and sales materials are in compliance with applicable statutes, rules and regulations. (2016 NAIC Market Regulation Handbook Chapter 16, § C Standard 1)

Test Methodology:

- Are all advertising materials in conformity with the Company's policy forms, and in compliance with applicable statutes, rules and regulations? [W. Va. Code §33-11-3 & 4]
- Does the Company approve producer sales materials and advertising? [W. Va. Code §33-11-4(2) and 5(a)and (b)]

Examiner Observations: The Company has product brochures for each product they sell. The brochures are in print form as well as on the Company's website. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Standard C2: The Company's internal producer training materials are in compliance with applicable statutes, rules, and regulations. (2016 NAIC Market Regulation Handbook Chapter 16, § C Standard 2)

Test Methodology:

- Are all producer training materials in compliance with state statutes, rules and regulations?
- Are there any references to employing unfair discriminations tactics or avoiding statutory compliance? [W. Va. Code §33-11-3 & 4]

Examiner Observations: The Company has no formal training materials, although they do hold an annual agency meeting that includes training, as well as in-house training provided during agency visits. Underwriting manuals are provided to producers through the agency section of the Company website. Review of the manuals found no references to employing unfair discrimination tactics. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Standard C3: Company communications to producers are in compliance with applicable statutes, rules, and regulations. (2016 NAIC Market Regulation Handbook Chapter 16, § C Standard 3)

Test Methodology:

- Is the Company in compliance with the prohibitions on misrepresentations as to representations made by the Company to the producer other than in training mode? [W. Va. Code §33-11-3 & 4]

Examiner Observations: Communications between the Company and its agents are normally through emails and over telephone. The examiners reviewed the written communications, including those found in the policy files, for adherence to both the West Virginia Unfair Trade Practices Act and the West Virginia Unfair Claims Settlement Practices Act. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

D. PRODUCER LICENSING

The evaluation of standards is based on a review of WVOIC records and company responses to information requests, questions, interviews, and presentations made to the examiners. This portion of the examination is designed to test the Company's compliance with West Virginia producer licensing laws and rules.

Standard D2: The producers are properly licensed and appointed and have appropriate continuing education (if required by state law) in the jurisdiction where the application was taken. (2016 NAIC Market Regulation Handbook Chapter 16, § D Standard 2)

Test Methodology:

- Are the producers properly licensed and appointed for business solicited in West Virginia? [W. Va. Code §33-12-18(a)]
- Does the Company appoint the producer within fifteen (15) days of the date the producer submits their first application to the Company? [W. Va. Code §33-12-18(b)]
- Are all applications signed by properly licensed and appointed agents? [W. Va. Code §33-12-18]

Examiner Observations: A sample of personal lines new business applications were reviewed for compliance. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table D2 Results: Producer Licensing Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines New Business	1561	25	0	25	0	90	100

Standard D3: Termination of producers complies with applicable standards, rules and regulations regarding notification to the producer and notification to the state, if applicable. (2016 NAIC Market Regulation Handbook Chapter 16, § D Standard 3)

Test Methodology:

- Does the Company notify the Commissioner's Office (on a form prescribed by the WVOIC) within thirty (30) days of terminating the producer's authority? [*W. Va. Code §33-12-25 et seq.*]
- Is the producer notified simultaneously? [*W. Va. Code §33-12-25(d)*]
- Does the Company notify the Commissioner's Office if the termination is for cause per W.Va. Code §33-12-25(a)?

Examiner Observations: The Company did not terminate any producers for cause during the examination period. No exceptions noted.

Examiner Recommendations: None

Results: Compliant

Standard D4: The Company's policy of producer appointments and terminations does not result in unfair discrimination against policyholders. (2016 NAIC Market Regulation Handbook Chapter 16, § D Standard 4)

Test Methodology:

- Does the appointment or termination of producers result in unfair discrimination against policyholders?
- Does the termination leave any territories understaffed?

Examiner Observations: The Company's agents can be found throughout the State of West Virginia. The Company products are marketed in under-served areas. No unfair discrimination against policyholders can be inferred by the Company's producer appointment and termination records.

Examiner Recommendations: None

Results: Compliant

E. POLICYHOLDER SERVICE

The evaluation of standards in this business area is based on review of company responses to information requests, questions, interviews, and presentations made to the examiner and file sampling during the examination process. The policyholder service portion of the examination is designed to test a company's compliance with statutes regarding notice/billing, delays/no response, premium refund and coverage questions.

Standard E2: Policy issuance and insured requested cancellations are timely. (2016 NAIC Market Regulation Handbook Chapter 16, § E Standard 2)

Test Methodology:

- Was the policy issued timely?
- Was the insured requested cancellation timely or was there any excessive paperwork required? *[no statutory requirement]*

Examiner Observations: The personal lines new business policy file sample was reviewed to determine the time required by the Company to issue policies. The date the applications were submitted and the date the policies were issued were captured. The Company issued the policies within fifteen (15) days for the entire sample tested. No exceptions were noted.

A sample of insured requested cancellations was reviewed to determine if the cancellations were timely and did not require excessive paperwork. All policies were cancelled timely.

Examiner Recommendations: None

Results: Compliant

Table E2a Results: Policyholder Service Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines New Business	1561	25	0	25	0	90	100

Table E2b Results: Policyholder Service Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Cancelled by insured	608	25	0	25	0	90	100

Standard E7: Unearned premiums are correctly calculated and returned to the appropriate party in a timely manner and in accordance with applicable statutes, rules and regulations. (2016 NAIC Market Regulation Handbook Chapter 16, § E Standard 7)

Test Methodology:

- Were the unearned premiums calculated correctly?

Examiner Observations: All unearned premiums were calculated properly and returned timely. No exceptions.

Examiner Recommendations: None

Results: Compliant

F. UNDERWRITING & RATING

The evaluation of standards in this business area is based on review of company responses to information requests, questions, interviews, presentations made to the examiner, and file sampling. The underwriting and rating practices portion of the examination is designed to provide a view of how the Company treats the public and whether that treatment is in compliance with applicable statutes, rules and regulations. It is typically determined by testing a random sampling of files and applying various tests to the sampled files. Testing is concerned with compliance issues.

Standard F1: The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the Company rating plan. (2016 NAIC Market Regulation Handbook Chapter 16, § F Standard 1)

Test Methodology:

- Was the premium calculated correctly? [W. Va. Code §33-11-4(7)(c)]
- Were the underwriting guidelines followed?

Examiner Observations: Although Farmers Mutual Fire Insurance Companies are not required to file rates with the Commissioner's Office, rates should not be unfairly discriminatory. Wide scale application of incorrect rates by a company may raise financial solvency questions or be indicative of inadequate management oversight. Deviation from established rating plans may also indicate a company is engaged in unfair competitive practices.

The personal lines new business policy file sample was reviewed and the premiums issued were verified with the Company's internal rating system to determine if the Company was following their underwriting guidelines. The Company consistently followed its underwriting guidelines. There were no exceptions.

Examiner Recommendations: None

Results: Compliant

Table F1 Results: Underwriting & Rating Practices Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines New Business Policies	1561	25	0	25	0	90	100

Standard F2: All mandated disclosures are documented and in accordance with applicable statutes, rules and regulations. (2016 NAIC Market Regulation Handbook Chapter 16, § F Standard 2)

Test Methodology:

- Were quotations reasonable and accurate with mandated disclosures as applicable?

Examiner Observations: It is necessary to provide insured's with appropriate disclosures, both mandated and reasonable. Without appropriate disclosures, insureds find it difficult to make informed decisions. Personal lines new business was tested for concerns to include the accuracy of producer quotations, extended and supplemental coverages. Quotations were reasonable and accurate. Any rate changes were prior to issuance with notice to the producer and/or applicant or were made at renewal dates and insureds were provided adequate advance notice. New applications were reviewed with the types of coverages selected and the premium calculated using appropriate company rating materials. Coal mine subsidence was offered requiring the applicant to either accept or reject by signature. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table F2 Results: Underwriting & Rating Practices Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines New Business Policies	1561	25	0	25	0	90	100

Standard F3: Company does not permit illegal rebating, commission-cutting, or inducements. (2016 NAIC Market Regulation Handbook Chapter 16, § F Standard 3)

Test Methodology:

- Was there any form of unfair discrimination found in the form of illegal rebating, commission-cutting, or other illegal inducements? [W. Va. Code §33-11-4(8)]

Examiner Observations: A review of personal lines new issue policy files found no evidence of rebating or commission-cutting. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table F3 Results: Underwriting & Rating Practices Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines New Business Policies	1561	25	0	25	0	90	100

Standard F4: The Company underwriting practices are not unfairly discriminatory. The Company adheres to applicable statutes, rules and regulations, and Company

guidelines in the selection of risks. (2016 NAIC Market Regulation Handbook Chapter 16, § F Standard 4)

Test Methodology:

- Is the Company following its underwriting guidelines?
- Do those guidelines conform to any applicable statutes, rules and regulations?
- Any inconsistency in handling of rating or underwriting practices?

Examiner Observations: The personal lines new business file sample was reviewed to ensure underwriting information used to make decisions was not unfairly discriminatory. It was determined that the Company was selecting risks and assigning rates according to company guidelines and no unfair discriminatory practices were detected. The aspect of IRPM (individual risk premium modification), also known as scheduled rating, was reviewed on the commercial lines new business policy file sample. Thirty (30) in the sample were determined to have a IRPM premium adjustment. The rating adjustments were found to be consistently applied and the files documented for the rating adjustment.

Examiner Recommendations: None

Results: Compliant

Table F4a Results: Underwriting & Rating Practices Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines New Business Policies	1561	25	0	25	0	90	100

Table F4b Results: Underwriting & Rating Practices Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Commercial Lines New Business Policies	1221	114	0	114	0	90	100

Standard F7: Rejections and declinations are not unfairly discriminatory. (2016 NAIC Market Regulation Handbook Chapter 16, § F Standard 7)

Test Methodology:

- Does the Company provide valid reasons for rejection/declinations when required?
- Does the Company monitor the agency rejections/declinations for appropriate practices?

Examiner Observations: Farmers' mutual fire insurance companies are not subject to W.Va. Code §33-17A-6; however, they are subject to W.Va. Code §33-11-4(7)(c). Consistent application

of the Company's underwriting rules is the primary method used to avoid unfair discrimination. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table F7 Results: Declination Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Declinations	351	84	0	84	0	90	100

Note: The population in this table includes both the personal and commercial lines of business.

Standard F8: Cancellation/non-renewal and declination notices comply with policy provisions and state laws and company guidelines. (2016 NAIC Market Regulation Handbook Chapter 16, § F Standard 8)

Test Methodology:

- Does the notice contain the proper reason?
- Were the company-initiated cancellations and non-renewals within the policy provisions?

Examiner Observations: As a farmers' mutual fire insurance company, the Company is not subject to W.Va. Code §33-17A-4(a) and (b). Therefore, the Company has no direct statutory requirement to delineate reasons for declinations or cancellations on their notices. Conversely, this requirement may be implied in order to assure compliance with W.Va. Code §33-11-4(7)(c) which prohibits unfair discrimination. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table F8 Results: Underwriting Cancellations Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal lines policies cancelled or non-renewed by company (after 01/01/2015)	349	25	3	22	0	90	100
Declinations	351	84	0	84	0	90	100
TOTALS	700	109	3	106	0	90	100

Note: Upon review, three (3) cancellations for personal lines policies cancelled or non-renewed by Company were determined to be "N/A" (not applicable) as the cancellations were for non-payment, not a company-initiated cancellation.

Standard F9: Rescissions are not made for non-material misrepresentation. (2016 NAIC Market Regulation Handbook Chapter 16, § F Standard 9)

Test Methodology:

- Is the decision to rescind the policy made in accordance with applicable statutes, rules, and regulations?
- Do the rescinded policies indicate a trend toward post-claim underwriting practices?

Examiner Observations: The Company had no policy rescissions during the examination period.

Examiner Recommendations: None

Results: N/A

Standard F17: Underwriting, rating, and classification are based on adequate information developed at or near inception of the coverage rather than near expiration or following a claim. (2016 NAIC Market Regulation Handbook Chapter 17, § F Standard 8)

Test Methodology:

- Determine if the initial underwriting of a policy is based on the information obtained at or near inception of coverage rather than after a claim is submitted.

Examiner Observations: The personal lines new business policy sample was reviewed to determine if decisions were based on information received at inception of the policy rather than through audits or post claim. The Company uses inspections, photographs and underwriting checklists to supplement applications.

Examiner Recommendations: None

Results: Compliant

Table F17 Results: Underwriting Information at Inception Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines New Business Policies	1561	25	0	25	0	90	100

Standard F18: Applications or enrollment forms are properly, accurately and fully completed, including any required signatures, and file documentation adequately supports decisions made. (2016 NAIC Market Regulation Handbook Chapter 17, § F Standard 18)

Test Methodology:

- Are applications completed and signed where required?

- Are the files properly documented?

Examiner Observations: The majority of personal lines new business applications are received by the company via an online application. Producers maintain a copy of the application and corresponding forms on file at their office and these files are randomly audited during agency visits by the Company. There were no exceptions.

Examiner Recommendations: None

Results: Compliant

Table F18 Results: Underwriting Applications Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines New Business Policies	1561	25	0	25	0	90	100

Standard F22: The Company does not engage in collusive or anti-competitive underwriting practices. (2016 NAIC Market Regulation Handbook Chapter 17, § F Standard 13)

Test Methodology:

- Is there any unlawful pricing or other prohibited anti-competitive acts or practices? [W. Va. Code §33-11-3]
- Has the Company entered into any agreements with other West Virginia companies to divide the market within West Virginia by territory? [W. Va. Code §33-11-3]

Examiner Observations: The personal lines new business policy file sample and underwriting guidelines did not reveal any evidence of collusive or anti-competitive practices on the part of the Company.

Examiner Recommendations: None

Results: Compliant

Table F22 Results: Underwriting Practices Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines New Business Policies	1561	25	0	25	0	90	100

Standard F25: Cancellation/non-renewal notices comply with policy provisions and state laws, including the amount of advance notice provided to the insured and other

parties to the contract. (2016 NAIC Market Regulation Handbook Chapter 17, § F Standard 16)

Test Methodology:

- Was the policyholder given the proper advance notice on a company initiated cancellation/non-renewal? [W. Va. Code §33-22-15(c)]

Examiner Observations: W. Va. Code §33-22-15(c) requires farmers' mutual fire insurance companies to give each policyholder five (5) days' notice of cancellation. Policyholders need sufficient time in the event of a cancellation or non-renewal to replace coverage. The company's policy provisions allow for a broader notice of cancellation as outlined below.

A sample of company-initiated cancelled policy files was reviewed for compliance with W. Va. Code §33-22-15(c) and the Company's policy provisions. According to policy provisions, the Company may, within the first 60 days, cancel for any reason and the Company gives at least a ten (10) day notice. If the policy has been in effect 60 days or more, the Company may cancel for specified reasons as listed under the Policy Conditions and the Company gives at least a thirty (30) day notice. The Company provides at least a ten (10) day notice for policies set to cancel for nonpayment. The examiners reviewed the entire population of company policy cancellations to determine if the advance cancellation notices were provided according to policy provisions. No exceptions were found.

Examiner Recommendations: None

Results: Compliant

Table F25 Results: Underwriting Notices of Cancellation Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal lines policies Cancelled or Non-Renewed by Company (after 01/01/2015)	349	25	3	22	0	90	100
Personal Lines Policies Cancelled by Company for Non-Pay (after 01/01/2015)	1050	25	0	25	0	90	100
Commercial Lines Policies Company Initiated Cancellation	74	25	0	25	0	90	100
Commercial Lines Cancelled by Company for Non-pay	529	25	0	25	0	90	100
TOTALS	2002	100	3	97	0	90	100

Note: Upon review, three (3) cancellations for personal lines policies cancelled or non-renewed by Company were determined to be "N/A" (not applicable) as the cancellations were for non-payment, not a company-initiated cancellation.

G. CLAIMS

The evaluation of standards in this business area is based on company responses to information items requested by the examiner, discussions with company staff, electronic testing of claim databases, and file sampling during the examination process. This portion of the examination is designed to provide a view of how the Company treats claimants and whether that treatment is in compliance with applicable statutes and rules.

Standard G1: The initial contact by the Company with the claimant is within the required time frame. (2016 NAIC Market Regulation Handbook Chapter 16, § G Standard 1)

Test Methodology:

- Was the claimant contacted within fifteen (15) working days (or mandated emergency order timeframe) from the date of the loss notice per W.Va. Code §33-11-4(9)(b) and W. Va. Code R. §114-14-5.1?

Examiner Observations: The examiners reviewed a sample of paid claims and closed without payment claims. No exceptions were found.

Examiner Recommendations: None

Results: Compliant

Table G1a Results: Claims Initial Contact Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Personal Lines Paid Claims 1 st Party (after 01/01/2015)	378	25	25	0	0	93	100
Personal Lines Paid Claims 3 rd Party (after 01/01/2015)	16	16	16	0	0	93	100
Personal Lines Paid Claims Total Losses (after 01/01/2015)	9	9	9	0	0	93	100
Personal Lines Closed Without Payment 1 st Party	719	50	50	0	0	93	100
Personal Lines Closed Without Payment 3 rd Party	30	30	30	0	0	93	100
TOTALS	1152	130	130	0	0	93	100

Table G1b Results: Claims Initial Contact Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Commercial Lines Paid Claims 1 st Party	150	25	25	0	0	93	100
Commercial Lines Paid Claims 3 rd Party	5	5	5	0	0	93	100
Commercial Lines Closed Without Payment 1 st Party	81	50	50	0	0	93	100
Commercial Lines Closed Without Payment 3 rd Party	22	22	22	0	0	93	100
TOTALS	258	102	102	0	0	93	100

Standard G2: Timely investigations are conducted. (2016 NAIC Market Regulation Handbook Chapter 16, § G Standard 2)

Test Methodology:

- Did the investigation commence within fifteen (15) working days of any claim filed per W. Va. Code §33-11-4(9)(c) and W. Va. Code R. §114-14-6.2a?
- Is the investigation continuing more than 30 calendar days? If so, was a delay letter sent within 15 working days after the 30 calendar days per W. Va. Code §33-11-4(9)(c) and W. Va. Code R. §114-14-6.7?
- If the investigation continued, were subsequent delay letters sent with 45 calendar days per W. Va. Code §33-11-4(9)(c) and W. Va. Code R. §114-14-6.7?

Examiner Observations: The examiners reviewed paid claims and closed without payment claims. No exceptions were found.

Examiner Recommendations: None

Results: Compliant

Table G2a Results: Claims Timely Investigated Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Personal Lines Paid Claims 1 st Party	378	25	25	0	0	93	100
Personal Lines Paid Claims 3 rd Party	16	16	16	0	0	93	100
Personal Lines Paid Claims Total Losses	9	9	9	0	0	93	100
Personal Lines Closed Without Payment 1 st Party	719	50	50	0	0	93	100
Personal Lines Closed Without	30	30	30	0	0	93	100

Payment 3 rd Party							
TOTALS	1152	130	130	0	0	93	100

Table G2b Results: Claims Timely Investigated Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Commercial Lines Paid Claims 1 st Party	150	25	25	0	0	93	100
Commercial Lines Paid Claims 3 rd Party	5	5	5	0	0	93	100
Commercial Lines Closed Without Payment 1 st Party	81	50	50	0	0	93	100
Commercial Lines Closed Without Payment 3 rd Party	22	22	22	0	0	93	100
TOTALS	258	102	102	0	0	93	100

Standard G3: Claims are resolved in a timely manner. (2016 NAIC Market Regulation Handbook Chapter 16, § G Standard 3)

Test Methodology:

- Did the Company deny the claim or make a written offer within ten (10) working days of completing its investigation per W. Va. Code §33-11-4(9)(c) and W. Va. Code R. §114-14-6.3?

Examiner Observations: The examiners reviewed a sample of paid claims and closed without payment claims. No exceptions were found.

Examiner Recommendations: None

Results: Compliant

Table G3a Results: Claims Resolution Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Personal Lines Paid Claims 1 st Party	378	25	25	0	0	93	100
Personal Lines Paid Claims 3 rd Party	16	16	16	0	0	93	100
Personal Lines Paid Claims Total Losses	9	9	9	0	0	93	100
Personal Lines Closed Without Payment 1 st Party	719	50	50	0	0	93	100
Personal Lines Closed Without	30	30	30	0	0	93	100

Payment 3 rd Party							
TOTALS	1152	130	130	0	0	93	100

Table G3b Results: Claims Resolution Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Commercial Lines Paid Claims 1 st Party	150	25	25	0	0	93	100
Commercial Lines Paid Claims 3 rd Party	5	5	5	0	0	93	100
Commercial Lines Closed Without Payment 1 st Party	81	50	50	0	0	93	100
Commercial Lines Closed Without Payment 3 rd Party	22	22	22	0	0	93	100
TOTALS	258	102	102	0	0	93	100

Standard G4: The Company responds to claim correspondence in a timely manner.
(2016 NAIC Market Regulation Handbook Chapter 16, § G Standard 4)

Test Methodology:

- Did the Company reply to pertinent communications from a claimant which reasonably suggests that a response is needed? [*W. Va. Code §33-11-4(9)(b) and W. Va. Code R. §114-14-5*]

Examiner Observations: The examiners reviewed a sample of paid claims and closed without payment claims. No exceptions were found.

Examiner Recommendations: None

Results: Compliant

Table G4a Results: Claims Correspondence Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Personal Lines Paid Claims 1 st Party	378	25	25	0	0	93	100
Personal Lines Paid Claims 3 rd Party	16	16	16	0	0	93	100
Personal Lines Paid Claims Total Losses	9	9	9	0	0	93	100
Personal Lines Closed Without Payment 1 st Party	719	50	50	0	0	93	100
Personal Lines Closed Without	30	30	30	0	0	93	100

Payment 3 rd Party							
TOTALS	1152	130	130	0	0	93	100

Table G4b Results: Claims Correspondence Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Commercial Lines Paid Claims 1 st Party	150	25	25	0	0	93	100
Commercial Lines Paid Claims 3 rd Party	5	5	5	0	0	93	100
Commercial Lines Closed Without Payment 1 st Party	81	50	50	0	0	93	100
Commercial Lines Closed Without Payment 3 rd Party	22	22	22	0	0	93	100
TOTALS	258	102	102	0	0	93	100

Standard G5: Claim files are adequately documented. (2016 NAIC Market Regulation Handbook Chapter 16, § G Standard 5)

Test Methodology:

- Do the files contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed? [*W. Va. Code §33-11-4(9) et. seq. and W. Va. Code R. §114-14-3*]

Examiner Observations: The examiners reviewed a sample of paid claims and closed without payment claims. No exceptions were found.

Examiner Recommendations: None

Results: Compliant

Table G5a Results: Claims Documentation Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Personal Lines Paid Claims 1 st Party	378	25	25	0	0	93	100
Personal Lines Paid Claims 3 rd Party	16	16	16	0	0	93	100
Personal Lines Paid Claims Total Losses	9	9	9	0	0	93	100
Personal Lines Closed Without Payment 1 st Party	719	50	50	0	0	93	100
Personal Lines Closed Without	30	30	30	0	0	93	100

Payment 3 rd Party							
TOTALS	1152	130	130	0	0	93	100

Table G5b Results: Claims Documentation Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Commercial Lines Paid Claims 1 st Party	150	25	25	0	0	93	100
Commercial Lines Paid Claims 3 rd Party	5	5	5	0	0	93	100
Commercial Lines Closed Without Payment 1 st Party	81	50	50	0	0	93	100
Commercial Lines Closed Without Payment 3 rd Party	22	22	22	0	0	93	100
TOTALS	258	102	102	0	0	93	100

Standard G7: Company claim forms are appropriate for the type of product. (2016 NAIC Market Regulation Handbook Chapter 16, § G Standard 7)

Test Methodology:

- Are the Company claim forms appropriate?

Examiner Observations: The examiners found no exceptions to the rule.

Examiner Recommendations: None

Results: Compliant

Table G7a Results: Claims Proper Forms Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Personal Lines Paid Claims 1 st Party	378	25	25	0	0	93	100
Personal Lines Paid Claims 3 rd Party	16	16	16	0	0	93	100
Personal Lines Paid Claims Total Losses	9	9	9	0	0	93	100
Personal Lines Closed Without Payment 1 st Party	719	50	50	0	0	93	100
Personal Lines Closed Without Payment 3 rd Party	30	30	30	0	0	93	100
TOTALS	1152	130	130	0	0	93	100

Table G7b Results: Claims Proper Forms Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Commercial Lines Paid Claims 1 st Party	150	25	25	0	0	93	100
Commercial Lines Paid Claims 3 rd Party	5	5	5	0	0	93	100
Commercial Lines Closed Without Payment 1 st Party	81	50	50	0	0	93	100
Commercial Lines Closed Without Payment 3 rd Party	22	22	22	0	0	93	100
TOTALS	258	102	102	0	0	93	100

Standard G9: Denied and closed-without-payment claims are handled in accordance with policy provisions and state laws. (2016 NAIC Market Regulation Handbook Chapter 16, § G Standard 9)

Test Methodology:

- Is the denial based upon specific policy provisions or exclusions?
- Is the claimant provided with a reasonable basis for the denial when required by statute or regulation? [W. Va. Code R. §114-14-6.5, rule defining W. Va. Code §33-11-4(9)(n)]
- Is the claimant who is neither an attorney or represented by an attorney given written notice of the statute of limitation? [W. Va. Code R. §114-14-6.12, rule by authority of W. Va. Code §33-2-10]
- Is the claimant given the option of contacting the Commissioner's Office and provided with its mailing address, telephone number, and website address? [W. Va. Code R. §114-14-6.17, rule by authority of W. Va. Code §33-2-10]

Examiner Observations: The examiners reviewed a sample of closed without payment. No exceptions were found.

Examiner Recommendations: None

Results: Compliant

Table G9a Results: Claims Denied or Closed Without Payment Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Personal Lines Closed Without Payment 1 st Party	719	50	50	0	0	93	100
Personal Lines Closed Without Payment 3 rd Party	30	30	30	0	0	93	100

TOTALS	749	80	80	0	0	93	100
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Table G9b Results: Claims Denied or Closed Without Payment Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Commercial Lines Closed Without Payment 1 st Party	81	50	50	0	0	93	100
Commercial Lines Closed Without Payment 3 rd Party	22	22	22	0	0	93	100
TOTALS	103	72	72	0	0	93	100

Standard G10: Cancelled checks and drafts reflect appropriate claim handling practices. (2016 NAIC Market Regulation Handbook Chapter 16, § G Standard 10)

Test Methodology:

- Do the checks include the correct payee and are they for the correct amount?
- That payment checks do not indicate the payment is “final” when such is not the case.
- That checks or drafts do not purport to release the insurer from total liability when such is not the case.

Examiner Observations: No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table G10a Results: Claims Payment Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Personal Lines Paid Claims 1 st Party	378	25	25	0	0	93	100
Personal Lines Paid Claims 3 rd Party	16	16	16	0	0	93	100
Personal Lines Paid Claims Total Losses	9	9	9	0	0	93	100
TOTALS	403	50	50	0	0	93	100

Table G10b Results: Claims Payment Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Commercial Lines Paid Claims 1 st Party	150	25	25	0	0	93	100
Commercial Lines Paid Claims 3 rd Party	5	5	5	0	0	93	100
TOTALS	155	30	30	0	0	93	100

SUMMARY OF RECOMMENDATIONS

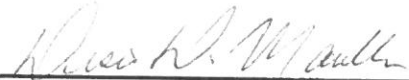
Recommendation A7: It is recommended the Company take steps to ensure that the writing producer is correctly and easily identified for each policy record as required by W. Va. Code R. §114-15-4.

Note: The Company has taken corrective action prior to completion of this examination. To ensure that the producer is correctly documented, the Company has changed processes to make the producer field a requirement in the quoting system prior to submission of new business.

EXAMINER'S SIGNATURE AND ACKNOWLEDGMENT

The examiner would like to acknowledge the cooperation and assistance extended by the Company during the course of the examination.

In addition to the undersigned, Letha G. Tate, MCM also participated in this examination.



Desiree D. Mauller, CIE, MCM, CWCP
Examiner-in-Charge

EXAMINER'S AFFIDAVIT

State of West Virginia


County of Kanawha

EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES
USED IN AN EXAMINATION

I, Desiree D. Mauller, being duly sworn, states as follows:

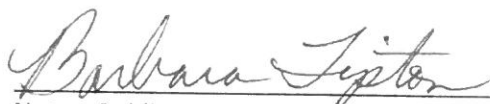
1. I have the authority to represent West Virginia in the examination of Farmer's Mutual Insurance Company.
2. I have reviewed the examination work papers and examination report, and the examination of Farmer's Mutual Insurance Company was performed in a manner consistent with the standards and procedures required by West Virginia.

The affiant says nothing further.



Desiree D. Mauller, CIE, MCM, CWCP
Examiner in Charge

Subscribed and sworn before me by Desiree D. Mauller on this 22nd day of June, 2017.



Notary Public

My commission expires: Nov. 17, 2021 (date).

